

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 SP-02 AID-05 EB-07 NSC-05 CIEP-01

TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00 COME-00

FRB-03 INR-07 NSAE-00 XMB-02 OPIC-03 LAB-04 SIL-01

H-02 L-02 PA-01 PRS-01 USIA-06 /086 W

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FM AMEMBASSY LONDON

TO SECSTATE WASHDC 0304

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

USMISSION EC BRUSSELS

USMISSION NATO BRUSSELS

USMISSION OECD PARIS

AMCONSUL BELFAST

AMCONSUL EDINBURGH

AMCONSUL LIVERPOOL

C O N F I D E N T I A L LONDON 05830

E.O. 11652: GDS

TAGS: PINT, EGEN, UK

SUBJECT: LABOR PARTY SWALLOWS HARD ON BUDGET

REF: LONDON 5726

1. CHANCELLOR HEALEY'S APRIL 15 BUDGET (REFTTEL) CAME
UNDER HEAVY FIRE FROM ALL SIDES IN APRIL 15-16 DEBATE IN
COMMONS, INCLUDING FROM THE REAR. LABOR'S BACKBENCH
LEFT-WINGERS, IF ANYTHING, WERE MORE HOSTILE TO BUDGET
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THAN WERE OPPOSITION SPOKESMEN. PARLIAMENTARY LABOR

PARTY (PLP) DISSIDENTS ARE DEEPLY DISTURBED OVER CHANCELLOR'S PREDICTION OF INCREASED UNEMPLOYMENT AND BUDGET'S IMPLICATIONS FOR SOCIAL CONTRACT (SEE SEPTTEL FOR TRADE UNION REACTION). THEY CONSISTENTLY CHARACTERIZED BUDGET AS "UNSOCIALIST" AND TRIBUNITE STAN THORNE PUBLICLY STATED HIS INTENTION NOT TO SUPPORT GOVERNMENT IN FINAL VOTE.

2. DESPITE WIDE-SPREAD AND DEEP PLP DISSATISFACTION WITH BUDGET, WHICH HAS BEEN IMPORTANT FOCUS OF PRESS REPORTING, HEALEY'S APRIL 16 MEETING WITH PLP WAS NOT AS STORMY AS MOST OBSERVERS HAD EXPECTED AND CONCLUDED WITH MEMBERS PRESENT GIVING CHANCELLOR A RELUCTANT AND TEPID ENDORSEMENT. PERHAPS MOST TELLING INTERVENTION AT PLP MEETING WAS THAT OF TRIBUNE GROUP CHAIRMAN SYD BIDWELL WHO, WHILE CRITICAL OF BUDGET, EXPRESSED HOPE THAT PLP WOULD UNITE BEHIND CHANCELLOR AND GOVERNMENT. PLP MANIFESTO GROUP SPEAKERS GENERALLY SUPPORTED BUDGET, BUT NOT WITHOUT RESERVATIONS. PLP MOTION ENDORSING BUDGET HAS REPORTEDLY PICKED UP OVER 50 SPONSORS, WITH FURTHER ADDITIONS EXPECTED.

3. IN SEPARATE CONVERSATIONS FOLLOWING PLP MEETING AND MOST OF APRIL 16 DEBATE, PLP CHAIRMAN CLEDWYN HUGHES AND TWO TRIBUNITES TOLD EMBOFF THAT PLP LEFT-WING WOULD NOT OPPOSE GOVERNMENT WHEN BUDGET COMES TO VOTE. THIS ASSESSMENT IS AT VARIANCE WITH SOME PRESS ACCOUNTS WHICH SUGGEST THAT AT LEAST PART OF TRIBUNE GROUP WILL VOTE AGAINST GOVERNMENT.

4. CONSERVATIVE PARTY REACTION TO BUDGET HAS BEEN CRITICAL BUT MAY BE LARGELY PRO-FORMA. MARGARET THATCHER FOLLOWED HEALEY'S SPEECH WITH SHARP AND OCCASIONALLY WITTY COMMENTS WHICH HER PARTY WARMLY APPLAUDED. GUARDIAN REPORTED APRIL 17, HOWEVER, THAT SHADOW CABINET HAD AGREED NOT TO OPPOSE BUDGET AS A WHOLE AND TO MAKE STAND ON ONLY 2 PROVISIONS: 25 PERCENT VAT ON CONSUMER GOODS AND INCREASED CAR TAX. THIS REPORT WOULD TEND TO SUPPORT THE VIEW CONSERVATIVES DO NOT WISH TO BLUNT THEIR EFFECTIVENESS ON REFERENDUM CAMPAIGN BY MAKING MAJOR ATTACK ON CONFIDENTIAL

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BUDGET. (FYI. MAJOR CONSERVATIVE REFERENDUM ACTIVISTS LIKE MRS. THATCHER MAY SIMPLY NOT HAVE TIME OR ENERGY TO EXPEND ON BUDGET, AND SHADOW CHANCELLOR HOWE PERHAPS NOT A MATCH FOR HEALEY. END FYI.)

5. COMMENT: WE CONCUR IN ASSESSMENT OF PARTY SOURCES THAT PLP WILL NOT SPLIT ON FINAL VOTE SCHEDULED FOR APRIL 21, THOUGH THORNE AND FEW OTHERS MAY ABSTAIN. REPORTED

CONSERVATIVE DECISION NOT TO OPPOSE OVERALL BUDGET, IF CORRECT, VIRTUALLY ASSURES ITS ULTIMATE PASSAGE. NEVERTHELESS, THERE WILL BE A POLITICAL COST INVOLVED, BOTH TO GOVERNMENT AND TO HEALEY'S ASPIRATIONS TO SUCCEED WILSON AS PARTY LEADER. LABOR'S LEFT HAS ONCE AGAIN SWALLOWED HARD AND BITTEN ITS TONGUE FOR THE SAKE OF PARTY UNITY AND THE GOVERNMENT, BUT THE RESENTMENT WILL LINGER. IT WILL NO DOUBT BE ONE MORE GRIEVANCE ON AN ALREADY LONG LIST WHICH THE LEFT MAY SEEK TO REMEDY FOLLOWING THE EC REFERENDUM.

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